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SUBJECT: FEEL THE BURN: FITNESS CLUBS IN RUSSIA

REF: MOSCOW 1834

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¶1. (SBU) SUMMARY: Russian fitness clubs are expanding and becoming increasing popular, suggesting that the notion of a healthy lifestyle may slowly be taking root in Russia. END SUMMARY.

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Fitness Clubs Pumping Up  
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¶2. (U) Although there are no publicly available statistics on fitness businesses in Russia, the Magram Market Research firm estimates that the industry generates annual sales and membership fees of about \$500-\$600 million and an annual sales growth rate of about 40 percent. In July 2007, several large fitness club chains merged to form the Russian Fitness Group (RFG), which now includes the World Class, R-Fitness (formerly a gym franchise of Reebok Shoes), and Maxi-Sport fitness clubs. RFG now boasts 45 fitness clubs with two more in construction, making it the market leader. Planet Fitness, another successful chain, has 37 locations, and Stria Partners owns 25 gyms. International brands have also gained a foothold in the Russian fitness market: Gold's Gym now has branches in Moscow, Samara, and Abakan. Even with recent expansions, no more than two percent of Russians are working out at gyms, according to market analysts. Over 70 percent of clubs in Moscow are in the premium segment of the market that caters to customers who can afford to pay \$1,500 or more for a yearly membership.

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Fitness for Health, and for Profit  
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¶3. (SBU) Senior managers at two central Moscow fitness clubs told us that 70-80 percent of patrons frequent their clubs for health reasons, though some members do come to network and socialize. Even though basic membership fees at these full service clubs are pricey (\$2,000-\$3,500 per year), both chains have seen steady growth. Both chains also have significant programs for children. One chain with 2,000 members has 120-200 children enrolled in various activities, including tai kwon do, fencing, swimming, rollerblading, and dancing. Families with children make up about one third of the other club's membership. While acknowledging that basic memberships at the central Moscow clubs are not affordable to the average

Russian, one chain's managers told us they run "more democratic" gyms offering fewer services and located farther from the center where memberships can be less than \$70 per month. Dr. Kirill Danishevskiy, a senior health consultant at the Open Health Institute, told us that the big fitness chains had sometimes expanded by buying up older "Soviet" gyms, making basic improvements, and then raising prices. Naturally, this raised questions about whether fitness club expansions had really increased the average Russian's options for getting fit.

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The President's Physical Fitness Plan?  
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**¶4.** (SBU) Some observers have wondered whether President Putin's attempts to generate popular interest in a healthy lifestyle through his own personal example has played a role in the sector's development. Putin is an avid martial artist with a black belt in judo, and the press has covered his attendance at martial arts events with action film stars like Jean-Claude Van Damme. Danishevskiy told us that he was skeptical that President Putin's attempts to promote a healthy lifestyle appealed to wealthier Russians who had then signed up for fitness club memberships, though he acknowledged that Putin's healthy public image was probably more appealing to the less well-heeled Russian. Managers at Planet Fitness disagreed and thought that Putin's healthy public image had a broad appeal and led to a bit of "fitness mania" among Russia's professional classes. In their view, Putin's attempts to popularize a healthy lifestyle had been one factor in the chain's growth.

**¶5.** (SBU) COMMENT: It is not yet clear how much of a trickle-down effect that Putin's image of a healthy lifestyle has generated among the masses, but there is certainly some evidence that the fitness bug is catching on among well-off Russians who can afford the membership fees at a posh club. With only two percent of Russians working out at gyms, there is still plenty of room for growth in the sector. In addition to private sector growth, some regional

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governments with budget surpluses have unveiled health and fitness plans. Orenburg Oblast will open four new sports facilities next year and requires government employees to take part in fitness programs. Interest in physical fitness could eventually become one factor helping to reverse the demographics crisis and improve Russia's high mortality figures and low life expectancy, much of which is driven by poor lifestyle choices like smoking and heavy drinking of hard alcohol (Reftel). However, there is a danger that if growth is concentrated in the premium segment of the market, expensive clubs could crowd out affordable gyms and leave fewer outlets for Russians of modest means.

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